Network Code on Capacity Allocation Mechanisms (Reg.984/2013)

Overview and forthcoming updates
Outline

1. General provisions i.e. applicability
2. Principles of cooperation
3. Allocation of firm capacity
4. Bundling of capacity
5. Incremental capacity process
6. Interruptible capacity
7. Capacity booking platforms
General provisions

• Applicability:

- as in CMP Annex to Regulation 715/2009!
- for existing (technical and interruptible as well as additional capacity released through CMP measures) and incremental capacity

- **Incremental capacity**: possible future increase via market-based procedures in technical capacity or possible new capacity…that may be offered based on investment in physical infrastructure or long-term capacity optimization and subsequently allocated subject to positive outcome of an economic test, in the following cases:
  - at existing IPs,
  - by establishing a new IP,
  - as physical reverse flow capacity at IPs, which has not been offered before
Principles of cooperation

- coordination of maintenance
- standardization of communication
- capacity calculation and maximization:
  - TSOs shall establish and apply joint method to calculate maximum technical bundled capacity
  - new: methodology developed should guarantee that, in case of crises (SoS) or exceptional event (IO), firm capacity at IPs has priority over exits to storages
- Exchange of information between adjacent TSOs (link to IO NC)
Allocation of firm capacity (1)

- auctions to be used at all IPs, except where alternative allocation methodology is applied

- 20% of technical capacity to be set aside (if available): 10% to be offered not earlier than in the annual yearly capacity auction, 10% no earlier than the annual quarterly capacity auction

- for incremental capacity: 10% not earlier than quarterly capacity auction

- capacity created via non-market based procedures and for which the FID has been taken without prior commitments from network users shall be allocated as available standard capacity products (as described in the CAM Regulation)
Allocation of firm capacity (2)

- standard capacity products: yearly, quarterly, monthly, day-ahead and within day
- applied capacity unit: kWh/h or kWh/d
- Auctions: annual yearly (for up to 15 years, for incremental capacity 15 years after the start of operational use), annual quarterly, rolling monthly, rolling day-ahead and within-day
- Auction algorithms:
  - ascending clock for yearly, quarterly and monthly
  - uniform price auction for day-ahead and within-day
Bundling of capacity

• TSOs to bundle firm or incremental capacity available at both sides of the IP

• single allocation and nomination

• resold as bundled on secondary market

• virtual interconnection point: where 2 or more IPs connect the same 2 adjacent entry- exit systems

• alignment of terms and conditions for bundled capacity products

• bundling in case of existing transport contracts (network users shall aim to reach an agreement on bundling of capacities; existing transport contracts for unbundled capacity cannot be renewed, prolonged or rolled over after their expiration date)
Incremental capacity process

Source: ENTSOG
Interruptible capacity

• offered if firm capacity is not available, via auction (except within-day interruptible-only nomination)

• minimum interruption lead times

• coordination of interruption process

• sequence of interruptions

• reasons for interruptions
Capacity booking platforms (1)

- TSOs to offer capacity by means of one or a limited number of joint web-based booking platforms

- if TSO cannot decide within 3 months after new CAM NC entries into force which platform to use for an IP, NRAs will need to decide; if NRAs cannot agree, ACER will decide (for the period not longer than 3 years)
Capacity booking platforms (2)

Booking platforms usage - 11/2015

Source: ENTSOG
Thank you for your attention!

www.energy-community.org
Annex 1

Art. 17
Ascending Clock Auction

Source: ENTSOG
Art. 17
Ascending Clock Auction

2. When demand falls below supply, auction ‘steps back’ to next lowest large price step and small price steps (3.1, 3.2, 3.3.....) are announced sequentially.

3. Auction closes and capacity is allocated when small price steps lead to demand falling below supply.

Source: ENTSOG
Annex 2

Art. 18 Uniform Price Auction
For day ahead and within day auctions

Day-ahead auction: 500 units available

Bid stack:

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
<th>Allocation</th>
<th>Shipper</th>
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<td>1</td>
</tr>
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</tr>
<tr>
<td>8</td>
<td>100</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

Bids ranked in order of price

Bids at the clearing price (=9) are pro-rated (if allocation > minimum requested quantity)

Shipper 1
Allocated 250 units at price 9

Shipper 2
Allocated 250 units at price 9

Shipper 3
Allocated zero

No capacity remains unsold

Source: ENTSOG